

Signaling Status with Luxury Goods: The Role of Brand Prominence

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ABSTRACT

This research introduces *brand prominence*, a construct reflecting the conspicuousness of a brand's mark or logo on a product. We propose a taxonomy that assigns consumers to one of four groups based on wealth and need for status, and demonstrate how each group's preference for conspicuously or inconspicuously branded luxury goods corresponds predictably with their desire to associate or dissociate with members of their own and other groups. Wealthy consumers low in need for status wish to associate with their own kind and pay a premium for quiet goods only they can recognize. Wealthy consumers high in need for status use loud luxury goods to signal to the less affluent that they are not one of them. Those who are high in need for status but cannot afford true luxury use loud counterfeits to emulate those they recognize to be wealthy. Field experiments along with analysis of market data (including counterfeits) support our proposed model of status signaling using brand prominence.

Keywords: Luxury, Status, Conspicuous Consumption, Brand Prominence, Branding, Reference Groups, Associative/Dissociative Motives

“The basis on which good repute in any highly organized industrial community ultimately rests is pecuniary strength; and the means of showing pecuniary strength, and so of gaining or retaining a good name, are leisure and a conspicuous consumption of goods.”

Thorstein Veblen
The Theory of the Leisure Class (p. 51)

In the middle ages, sumptuary laws specified in minute detail what each social class was permitted and forbidden to wear, including the maximum price an article of clothing could cost. For example, grooms could not wear cloth that exceeded two marks, while knights could wear apparel up to six marks’ value but were forbidden from wearing gold, ermine, or jeweled embroidery (Berry 1994). The rationale was to reserve particular fabrics and ornamentation for certain social classes in order to distinguish them and uphold order within the social hierarchy. A case in point was the extravagant wardrobe of Elizabeth I (1533-1603), which provided visible proof of her divinity and signaled her special place in society (McKendrick, Brewer, and Plumb 1983, p. 76). By the 18th century, a blurring of partitions in social classes led to the demise of all sumptuary laws (Berry 1994: p. 82), yet the use of personal effects as markers of status persists.

Today, anyone can own a purse, a watch, or a pair of shoes, yet specific *brands* of purses, watches, and shoes are a distinguishing feature for certain classes of consumers. A woman who sports a Gucci “new britt” hobo bag (\$695) signals something much different about her social standing than a woman carrying a Coach “ali signature” hobo (\$268). The brand, displayed prominently on both, says it all. Coach, known for introducing “accessible luxury” to the masses doesn’t compare in most people’s minds in price and prestige with Italian fashion house Gucci. But what inferences are made regarding a woman seen carrying a Bottega Veneta hobo bag (\$2,450)? Bottega Veneta’s explicit “no logo” strategy (bags have the brand badge on the inside) makes the purse unrecognizable to the casual observer and identifiable only to those in the know.

It is not uncommon for brands to mark their products differently to be more or less visible. For example, Volvo wanted its newly introduced XC60 crossover “to be recognizable as a Volvo from twice the normal distance of 300 feet, so they added a larger insignia” (Vella 2008; also, see Figure 1). We introduce a new construct we call “brand prominence” to reflect this variation in conspicuousness. We define brand prominence as the extent to which a product has visible markings that help ensure observers recognize the brand. Manufacturers can produce a product with “loud” or conspicuous branding or tone it down to “quiet” or discreet branding to appeal to different types of consumers. Compare the Gucci sunglasses in Figure 2. The first literally spells out the Gucci brand, while the second is far less explicit, utilizing only the brand’s subtle, yet distinctive bamboo hinges.

This research identifies the types of consumer who prefer loud versus quiet products and offers an explanation why. While a great deal of research has been done on the critical elements constituting a brand, from symbols and slogans (Aaker 1992) to the distinctiveness of a brand’s physique (Kapferer 1992), little work of which we are aware has examined the prominence of a brand’s identifying marks on the product. One exception is Wilcox, Kim, and Sen (2009), who found that products without logos are less apt to serve the social functions of self-expression and self-presentation. Our construct of brand prominence clarifies how the relative conspicuousness of a brand’s mark or logo reflects different signaling intentions of the owner. In short, different consumers prefer quiet versus loud branding because they seek to associate and/or dissociate with different groups of consumers.

We begin by proposing a taxonomy that assigns consumers to one of four groups based on two distinct and measurable characteristics: wealth and need for status. According to the Pew Center for Research (Allen and Dimock 2007), almost half of Americans see their country

divided into two classes: the haves and have-nots. Thus, we first divide consumers into the relatively well-to-do and everyone else. Dubois and Duquesne (1993) found the higher the income of an individual, the higher the propensity to purchase luxury goods; hence, luxury goods manufacturers will be most concerned with how preferences vary among those who have more.

Second, luxury goods are traditionally defined as goods such that the mere use or display of a particular branded product brings prestige on the owner apart from any functional utility (Grossman and Shapiro 1988). We therefore account for individual differences in consumption-related need for status, defined as a “tendency to purchase goods and services for the status or social prestige value that they confer on their owners” (Eastman, Goldsmith, and Flynn 1999, p. 41). As such, consumers are further divided according to the extent to which they seek to gain prestige by consuming luxury goods. In summary, the taxonomy divides consumers into four groups according to their financial means and the degree to which status consumption is a motivating force in their behavior.

An essential insight that emerges from our taxonomy is how the four groups differ with respect to whom they seek to associate/dissociate, which corresponds predictably with their preferences between conspicuously and inconspicuously branded luxury goods. Consumers often choose brands as a result of their desire to associate with or resemble the typical brand user (Escalas and Bettman 2003; 2005). Further, self-presentation concerns lead consumers to avoid choosing a product associated with a dissociative reference group (White and Dahl 2006; 2007). Associative and dissociative motives are not necessarily opposite sides of the same coin; a desire to associate with one group does not imply a desire to dissociate from opposing groups. For example, a Harley-Davidson Riders Club member need not abhor Suzuki or Kawasaki motorcycles or want to distance himself from their owners. We proceed by labeling each of the

four classes of consumers created by our taxonomy and describing their signaling motives based on their desire to associate and/or dissociate from their own and the other three groups.

The first category we label *patricians* after the elites in ancient Roman times (for mnemonic reasons, we label our four groups as the 4Ps of luxury signaling: patricians, parvenus, poseurs, and proletarians). Patricians possess significant wealth and pay a premium for inconspicuously branded products that serve as a *horizontal* signal to other patricians. Feltovich, Harbaugh, and To (2002) used game theory to argue high types sometimes avoid obvious signals that should separate them from low types because they are concerned with separating themselves from medium types who use such signals. In our model, however, patricians are principally concerned with associating with other patricians as opposed to dissociating themselves from other classes of consumers. They use subtle signals because only other patricians can interpret them, a byproduct of which is that they avoid being misconstrued as someone who uses luxury brands to differentiate themselves from the masses. In summary, patricians are high in financial means, low in their need to consume for prestige's sake, and keen to associate with other patricians.

The second category we label *parvenus* (from the Latin *pervenio* meaning *arrive* or *reach*). Parvenus possess significant wealth but do not possess the connoisseurship necessary to interpret subtle signals, an element of what Bourdieu (1984) referred to as the “cultural capital” typically associated with their station. To parvenus, Louis Vuitton's distinctive “LV” monogram or popular Damier canvas pattern is synonymous with luxury as these markings make it transparent the handbag is beyond the reach of those below. They are unlikely to recognize the subtle details of a Hermès bag or Vacheron Constantin watch or know their respective prices. Parvenus are affluent—it is not that they cannot afford quieter goods—but they crave status.

They are concerned first and foremost with separating or dissociating themselves from the “have-nots” while simultaneously associating themselves with other “haves,” both patricians and other parvenus.

The third class of consumers we call *poseurs*, from the French word for a “person who pretends to be what he or she is not.” Like the parvenus, they are highly motivated to consume for status’ sake. Poseurs, however, do not possess the financial means to readily afford authentic luxury goods. Yet they want to associate themselves with those they observe and recognize who have the financial means, the parvenus, and dissociate themselves from other less affluent individuals. Hence, they are especially prone to buying counterfeit luxury goods. If brand status is important to a person, as it is with poseurs, but is unattainable, it has been shown that he or she is likely to turn to counterfeit products as cheap substitutes for the originals (Wee, Tan, and Cheok 1995). This implies, and we show, fake handbags should disproportionately be copies of luxury handbags that are conspicuous or loud in displaying the brand, the kinds of goods that are favored by the parvenus, but, due to their discounted price, are especially appealing to poseurs.

We label our fourth and final class of consumer *proletarians*, a term commonly used to identify those from a lower social or economic class but which we use more narrowly to distinguish less affluent consumers who are also less status conscious. For our purposes, proletarians are simply not driven to consume for status’ sake and either cannot or will not concern themselves with signaling by using status goods. They seek neither to associate with the upper crust nor dissociate themselves from others of similarly humble means and neither favor nor spurn loud luxury. Figure 3 provides a pictorial representation of our complete framework.

The remainder of this paper is organized as follows. First, we briefly summarize the relevant literature on status goods, signaling, and branding. In Study 1, our analysis of market

data reveals inconspicuously branded luxury goods cost more on average than the same manufacturer's goods with more conspicuous branding. This is consistent with patricians paying a premium for understatement. In Study 2, we use market data again to show that counterfeiters tend to copy the lower-priced, louder, luxury variants within the product line of the brands they knock off, which would appeal to poseurs seeking to emulate parvenus. Study 3 is a field study demonstrating only patricians can read subtle brand cues correctly. Together with Study 1, Study 3 shows patricians pay a premium for signals that only other patricians can decipher. In Study 4, preferences between loud and quiet luxury goods are shown to differ predictably among our four groups, corresponding to their social motives (i.e., with whom each group wishes to associate and disassociate). Further, when provided the opportunity, poseurs are shown to be far more likely than parvenus to buy counterfeits, the loud bags that appeal to these two groups. We conclude by discussing implications of our work for managers and suggesting avenues for future research.

STATUS, SIGNALING, AND BRANDING

Status has its roots in ancient society where every person had a “place” in the social hierarchy. Historically, this place was attained either through birth (e.g., born into nobility or an upper class in the caste system) or by ordainment (e.g., knighted by the king). This changed during the Age of Enlightenment (roughly the beginning of the 18th century) as a man's worth began to be judged according to his achievements, which frequently brought great wealth (de Botton 2004). A reliable connection was made between merit and worldly success; well-paid jobs were secured primarily through intelligence and ability. The rich were not just wealthier,

they were “better.” They merited their success, and as such, affluence increasingly became a marker of social status. Wealth and social status have been inextricably linked ever since.

In his classic treatise *The Theory of the Leisure Class* (1899), economist and sociologist Thorstein Veblen argued that the accumulation of wealth is not really what confers status. Rather, what confers status is the evidence of wealth, which requires its wasteful exhibition—behavior he described as *conspicuous consumption*. As examples, Veblen noted the leisure class used silverware, hand-painted china, and high-priced table linens at meals (p. 87) when less expensive substitutes could work as well or better. People buy fine silverware, Veblen wrote, not to convey food into their mouths but to display that they can afford such things. Veblen noted that the examples he put forth, including manicured lawns, the latest fashions, and exotic dog breeds, confer prestige to owners due to their lofty price tags.

Contemporary research in marketing recognizes the symbolic role of possessions in consumers’ lives (Levy 1959; Solomon 1983; Belk 1988). It is widely accepted that people make inferences about others based on their possessions (Belk, Bahn, and Mayer 1982; Richins 1994a, 1994b; Burroughs, Drews, and Hallman 1991). Further, Richins (1994b) pointed out, those inferences can reflect others’ success, measured by the things someone owns. The objects that symbolize success tend to be high priced in absolute terms or expensive relative to the average cost of items in the product category (see also Fournier and Richins 1991). Charles, Hurst, and Roussanov (2007) argued that status goods surface in highly visible categories where greater expenditures are generally associated with higher income, such as cars (e.g., Bentley), fashion (e.g., Dior), and jewelry (e.g., Tiffany & Co.).

Marketers understand a common way to add “snob appeal” to an otherwise pedestrian product is to attach a high price (O’Cass and Frost 2002; Eastman, Goldsmith, and Flynn 1999).

Consumers will pay a higher price for a functionally equivalent good because they crave the status brought about by such material displays of wealth (Bagwell and Bernheim 1996). In some ways, higher prices themselves make consumers feel superior as one of the few who can afford to buy the product (Garfein 1989). In this research, we take the view that a product or brand's potential to signal status through the use of a luxury good depends in large part on the observer's ability to decipher the signal correctly, which, as demonstrated in Study 3, equates to assessing the relative price of the good with some degree of accuracy.

While price connotes status, price itself, however, does not determine the desirability of a status brand. Brand choice can send meaningful social signals to other consumers about the type of person using that brand (Wernerfelt 1990). The symbolic meaning consumers derive from a particular brand is often based on associations between the brand and its users or the "type" of consumer who buys that brand (Muniz and O'Guinn 2001). Consumers are influenced by their own group (Bearden and Etzel 1982; Whittler and Spira 2002), those they aspire to be like (Escalas and Bettman 2003; 2005) and those with whom the individual wishes to avoid being associated (White and Dahl 2006; 2007). In other words, who uses a brand is integral to the brand image and helps explain why consumers are attracted to certain brands and shy away from others (Sirgy 1982).

The relationship between parvenus and poseurs reflects the classic Veblen argument that members of a higher class consume conspicuous goods in order to dissociate themselves from the lower class ("invidious comparison"), while members of the lower class consume conspicuously in order to associate and be thought of as a member of the higher class ("pecuniary emulation"). Poseurs favor loud signals to mimic parvenus; they may stretch to buy a loud good but in contrast to parvenus are prone to buy fake luxury goods. Our theorizing posits

there is a group of haves who are less concerned with dissociation and more concerned with associating with their own kind. They are our patricians, who pay a premium for subtly branded products only other patricians recognize. We test this indirectly in Study 1 by offering empirical support for the notion that less conspicuously branded luxury goods offered by the same brand cost more, on average.

STUDY 1: THE RELATIONSHIP BETWEEN BRAND PROMINENCE AND PRICE

In Study 1, we look at the relationship between price and brand prominence for three categories of luxury goods: designer handbags, luxury cars, and men's shoes. We focus first on designer handbags. We chose this category in part because "handbags are the engine that drives luxury brands today" (Thomas 2007, p. 168). Handbags had estimated sales of \$7 billion in the U.S. alone in 2007 (Wilson 2007) with the average American woman purchasing four handbags per year (Thomas 2007). In addition, purses don't require sizing as do shoes or prêt-à-porter (ready-to-wear fashion). The absence of sizes suggests women have far more choice, and consequently handbags are a category where manufacturers carry an extremely large number of SKUs. For example, at any point in time, Louis Vuitton typically offers more than 200 different handbags but fewer than 20 different pairs of men's shoes. Thus, we focus our analysis on the handbag category but replicate our results using data in the men's shoe market (Louis Vuitton) and the car market (Mercedes), albeit with much smaller data sets.

If our premise is correct, we expect to observe quieter or more subtle brand identification on the more expensive products and louder, more conspicuous brand identification on the relatively less expensive products. Thus, we predict a negative correlation between price and brand prominence, the extent to which the product advertises the brand by displaying the mark in

a more visible or conspicuous manner (i.e., larger logos, repeat prints, etc.). Our hypothesis is that for luxury goods, on average, as the price goes up, brand prominence will go down.

In January 2008, we downloaded information on all of the handbags offered by both Louis Vuitton (LV) and Gucci from the companies' respective websites. Louis Vuitton (\$21.6 billion) and Gucci (\$8.2 billion) are number one and number two, respectively, in Interbrand's ranking of the leading luxury brands of 2008 (Interbrand 2009). In addition, they are rated #2 and #3, respectively, on the Luxury Institute's list of the most familiar luxury handbag brands (see www.luxuryinstitute.com). Our data include pictures, price information, and product descriptions for 236 bags from Louis Vuitton and 229 from Gucci that were available online at the time. The average price for an LV handbag was \$1,240 (median \$1,090), while the average price for a Gucci handbag was \$1,448 (median \$1,150). The range spanned from \$225 to \$3,850 for LV and \$295 to \$9,690 for Gucci. Our data set, of course, does not include all purses sold by LV or Gucci historically but is representative of what was being sold by these firms in early 2008. Personal discussions with Gucci and LV managers support our belief that bags sold online do not constitute a skewed sample. Louis Vuitton's selection online was said to be identical to what is sold in their stores (special offerings excluded). Gucci's selection online is nearly identical, with the exception of a few unique items offered through each channel.

Method

We coded each handbag according to brand prominence and several control variables, such as the bags' material and size. There were three categories of primary material used to construct the purses: (1) fabric (e.g., denim, canvas), (2) leather, and (3) exotic hide (e.g., ostrich). We

relied on the manufacturers' dimensions of the bag as a proxy for surface area or the amount of material necessary to manufacture the bag.

Our notion of brand prominence was intended to capture how the different SKUs varied in the extent to which they displayed the brand logo or identifying marks conspicuously to observers. To this end, three independent judges rated each bag on a seven-point scale (anchored at the extremes by "Not at all" and "A great deal") on the following criteria:

1. How prominently does this bag display its trademark? (A trademark is a distinctive name, symbol, motto, or emblem that identifies a product, service, or firm.)
2. To what extent would this bag be recognizable as a Gucci (Louis Vuitton) product?

Each judge was trained as to the standard identifying marks of the two brands (e.g., the classic green and red striped pattern originated by Guccio Gucci signifies Gucci). Intra-rater reliability was high (Cronbach $\alpha > .97$ for all three judges). Inter-rater reliability was also high ($\alpha > .9$ across all pairs of raters). Therefore, we combined the judges' ratings into a composite measure of brand prominence ranging from 1 = *Quiet* to 7 = *Loud* (see examples of quiet and loud bags in Figure 5).

Results

The results are shown in Table 1. Consistent with our predictions, the most important findings are those for the variable "prominence" ($\beta = -122.26, p < .01$) and for the interaction between prominence and brand ($\beta = 95.89, p < .01$) such that the slope for Gucci is -122.26 and LV is -26.37 (i.e., $-122.56 + 95.89$). The significant interaction indicates that these slopes are different from each other. The interpretation is that, on average, an increase in brand prominence of 1.0 on the 7-point scale equates to a \$122.26 decrease in price for Gucci, and a \$26.27 decrease for Louis Vuitton (\$856 and \$185, respectively, when going from one extreme to the

other). In addition, as expected, the grade of the material matters. Further, there is an interaction between “surface” and “canvas” such that large canvas bags are more expensive than small ones while this is not true for leather and exotic bags.

We replicated these results by examining the size of the Mercedes emblem (aka the Mercedes “star”) on available cars and SUVs. Assessing brand prominence was straightforward; we utilized the size in centimeters of the tri-star Mercedes logo displayed on the grill of the vehicles. We collected the data in January 2009, at which time Mercedes offered 47 different models of vehicles ranging from 2-door coupes to SUVs (we did not include the SLR in our analysis because it is co-branded with McLaren). The vehicles ranged in price from \$33,775 to \$199,825 while the emblem size ranged from 7.6 cm to 18.5 cm.

As in the study of handbags, our dependent variable was the price of the car. Our independent variables included brand prominence as well as a set of seven body type dummies (e.g., coupe, sedan, wagon...) included to account for the fact that different vehicles have different grill sizes and different price points. The results reveal a significant overall effect of body type ($F = 3.51, p < .01$) and a significant main effect of emblem size ($\beta = -5,215.58, F = 8.72, p < .01$) such that an increase in emblem size of one centimeter is associated with a decrease in price of the car of slightly more than \$5,000. In summary, controlling for body type, less expensive Mercedes vehicles in the U.S. tend to boast a larger emblem.

To support the generalizability of these results, it was important to replicate our findings in a category catering exclusively to men. To this end, we utilized Louis Vuitton’s 2009 men’s shoe collection. The collection comprises 13 different pairs of shoes ranging in price from \$485 to \$1,170. Using photos drawn from the company’s catalog, brand prominence was rated by the same trained judges who rated the handbags using the same scales. Price remained our dependent

variable, while brand prominence and leather quality (3 levels: calf, patent, python) served as independent variables. The results reveal a significant effect of leather quality ($F = 10.48, p < .01$) as well as a main effect of brand prominence ($\beta = -43.90, F = 5.57, p < .05$) such that, controlling for leather quality, an increase in brand prominence of 1 on our scale is associated with a decrease in price of \$43.90.

Discussion

The data support our hypothesis that luxury brands Gucci and Louis Vuitton charge more on average for quieter handbags and shoes—those that display the brand less prominently. Similarly, Mercedes places larger emblems on its lower-priced cars, which is de facto evidence suggesting that those who purchase different classes of automobiles value brand prominence differently. These results support our prediction that a class of consumer exists that is willing to pay a premium for luxury goods that display the brand name less conspicuously, which we call patricians. The policy of lowering price while making the brand name more prominent appears to apply regardless of gender (men's shoes, women's handbags) and whether the category is considered more faddish (fashion goods) or durable (vehicles). In the next study, we expand the scope of our investigation of marketplace phenomena by examining how the market for counterfeit luxury goods compares in terms of brand prominence.

STUDY 2: BRAND PROMINENCE AND COUNTERFEIT GOODS

Counterfeits allow consumers to unbundle the status and quality attributes of luxury goods and pay less to acquire the status by not having to pay for the quality (Grossman and

Shapiro 1988). Counterfeiters serve customers who aspire to own luxury goods but who are unable or unwilling to pay for the real thing. Among those of limited means in our framework, poseurs rather than proletarians crave the status associated with prestigious brands. And poseurs take their cues from the parvenus who use signals that are easily decipherable, even to the uninitiated. This implies the counterfeit market should consist primarily of the louder handbags parvenus carry rather than the quieter handbags patricians carry. Although there is no reason that counterfeiters can't copy the pricier, quieter handbags as cheaply or easily as others in the manufacturer's product line, we hypothesize that counterfeit goods will tend to be copies of lower-priced, louder luxury goods because they will be what poseurs demand.

Method

To test our hypothesis, we combine the data collected on authentic handbags in Study 1 (handbags offered by Louis Vuitton and Gucci online in January 2008) with additional data from two distinct sources. First, we acquired a dataset from intellectual property enforcement officials who confiscated counterfeit goods locally produced and sold in Thailand. Thailand is a manufacturing and distribution hub for fake goods and as a consequence has been on the U.S. Trade Representative's watch list for more than 10 years. The dataset contains pictures of 254 individual items that were confiscated as part of a raid on a manufacturer and seller of counterfeit Gucci goods. Therefore, the data are representative of the Gucci knockoffs that an Asian counterfeiter would produce and distribute to U.S. resellers (their Gucci knockoff product line). Because these data contain information only on Gucci, we augmented them with data from a website specializing in the sale of counterfeit handbags called knockoffbag.com.

From that website, we collected data on all of the handbags offered that were replicas of Gucci and LV products. There were 428 data points, 287 copies of LV bags offered for sale and 141 copies of Gucci bags offered at the time we collected the data (April 2008). From the website, we collected pictures of the goods offered online, the price at which these counterfeit bags were offered, and any other information the seller posted about the goods. All together, we have 682 data points representing counterfeits of both Gucci and Louis Vuitton handbags. The data include the entire selection from a single producer and distributor (the Thai data) as well as individual items deemed desirable and thus offered for sale on a popular website. This provides perspectives from both the producer's and the consumer's vantage point.

Not all of the bags in our data on counterfeits are copies of actual bags in our data set from Study 1; some are original designs created by the counterfeiters to look like Gucci or LV products. Because these are fake bags with fake designs, we call these "fake-fakes." Hence, our data can be broken into different classes, as displayed in Table 2. Counterfeiters copied 211 of the 465 existing styles (45% of handbags were knocked off at least once). Counterfeiters were responsible for another 386 fake-fakes (original creations). Therefore, there were a total of 851 different styles of bags in our dataset (211 copies of current bags, 386 fake-fakes and the remaining 254 bags from LV and Gucci not copied). Judges coded all the fake-fake bags in the exact same fashion as the authentic bags in Study 1 (correlation across judges for composite measure greater than .8 for all judges).

Results

Table 3 summarizes the brand prominence (average rating) for the data in Studies 1 and 2. The data were analyzed using a 3 (type: Original Not Copied, Original Copied, Fake-Fakes) x 2

(brand: LV, Gucci) ANOVA. We find significant main effects of bag type ($F = 53.48, p < .01$) and brand ($F = 4.37, p < .05$) but no interaction between the two ($F = .53, p = .59$). The analysis shows counterfeiters choose to copy bags that are significantly louder than the ones they do not copy ($M_{LV_Copied} = 5.41$ vs. $M_{LV_Not_Copied} = 3.79, p < .01$; $M_{Gucci_Copied} = 5.50$ vs. $M_{Gucci_Not_Copied} = 4.08, p < .01$). Further, when the counterfeiters create their own variety of LV or Gucci bags, what we call fake-fakes, their creations are also loud—on average just as loud as the ones they copy ($M_{LV_Copied} = 5.41$ vs. $M_{LV_Fake_Fake} = 5.31, p = .71$; $M_{Gucci_Copied} = 5.50$ vs. $M_{Gucci_Fake_Fake} = 5.79, p = .30$). These results support our hypothesis that counterfeit handbags tend to be copies of the lower-priced, louder items in a luxury brand's product portfolio.

In Study 1, we found brand prominence is negatively correlated with price. Therefore, one might argue that counterfeiters pick the products to counterfeit based on price and not brand prominence. To test whether brand prominence is truly the factor that drives counterfeiters' decisions about which styles to copy, we looked at the probability of original handbags being copied as a function of price, brand, and brand prominence. In a first logistic regression (columns 2 and 3 of Table 4), we include price and brand information but omit brand prominence. In a second regression (columns 4 and 5 of Table 4), we include brand prominence information. The results show that when price is taken alone, the parameter is only marginally significant ($p = .09$), and when brand prominence is added, the parameter for price becomes non-significant ($p > .5$) while the parameter for brand prominence is significant ($p = .03$). Further, there are no significant interactions between brand prominence and price. The results suggest that price is not the decision variable for counterfeiters when deciding which styles to copy. With no discernible reference to price, counterfeiters appear to produce and sell louder handbags. As this analysis indicates, the louder an original handbag, the more likely it is to be knocked off by counterfeiters.

The data we collected from knockoffbags.com included price information for the counterfeit bags (we did not get any price information on the confiscated bags from the producer in Thailand). To examine how counterfeiters set prices, we looked at the relationship between the price of counterfeit goods from knockoffbags.com and the price of the bag as listed by the original manufacturer, our brand prominence measure, and brand (LV or Gucci). The results (see Table 5) show that once counterfeiters choose which styles of handbags to copy, they determine the price of their offerings based on the price charged by the original manufacturer ($\beta = .03, p < .01$). In other words, counterfeiters price their knock-offs higher for bags that sell at higher prices by the original manufacturers regardless of how loud the bag is ($\beta = -.84, ns$). While counterfeiters limit themselves to selling relatively loud bags, they subsequently set prices in accordance with the original manufacturer's product line.

Discussion

In Study 2, we show that the bags counterfeiters choose to copy are the loud ones (i.e., their product line is driven by brand prominence). These are the bags parvenus favor. It appears poseurs who would be most inclined to buy the fakes demand what the parvenus are showing off: the loud handbags, in line with a desire to prominently associate themselves with this group.

STUDY 3: RECOGNIZING SUBTLE BRAND CUES

Our theorizing presumes patricians are more attuned to the distinguishing traits of luxury goods and therefore can recognize products and their price without the need for conspicuous brand displays. In contrast, non-patricians (parvenus, poseurs, and proletarians) cannot recognize

the subtle cues and require loud signals to recognize a brand and the connotations of status. If this is the case, then patricians can use subtle cues to signal each other when parvenus must use loud cues to dissociate from the poseurs and proletarians.

In Study 3, we test this directly by studying the impact of brand and brand prominence on signal recognition vis-à-vis brand recognition and price knowledge among patricians and non-patricians (i.e., parvenus, poseurs, and proletarians). Patricians are expected to be more likely to recognize subtle brand cues than members of the other groups and are therefore less reliant on prominent brand placement to infer the relative price of a luxury handbag. We expect non-patricians to view prestige bags with prominent branding as more expensive than similar bags (i.e., same manufacturers costing as much or more) with subtle and hence unrecognizable brand cues. Conversely, we expect patricians to correctly recognize these similar but subtly-marked bags for the brand they are, and thus properly assess their relative prices.

Method

Respondents. Participants in this study were 120 consumers comprising two distinct groups of 60 survey respondents. The first group was selected based on the likelihood they would qualify as patricians. Marketing research firm Claritas (a division of A.C. Nielsen) classifies zip codes according to demographic traits, lifestyle preferences, and consumer behaviors. The use of Claritas profiles allowed us to select residents of the Palos Verdes Peninsula in Los Angeles County in Southern California to survey consumers. Zip code 90274 had the highest concentration (95.42%) of segments that the firm identifies as Upper Crusts, Blue Bloods, and Movers & Shakers—segments that best represent patricians (see Appendix 1). These segments comprised three of the highest income groups (the top 4.12% of U.S. households)

among the 66 segments Claritas uses to categorize consumers. We recognize that Movers & Shakers might straddle the boundary between patricians and parvenus. Even if we ignore this group, zip code 90274 still provided one of the highest concentrations of Upper Crusts and Blue Bloods nationally. If patricians wish to associate with patricians, we would expect to find them living close to one another as well.

The second group was selected based on their geographic proximity to the first (thus controlling for factors such as weather, local fashion trends, etc.) and the likelihood they would not qualify as patricians and thus could be considered parvenus, poseurs, or proletarians. They consisted of 60 people in Los Angeles County from zip codes 91371 (Woodland Hills), 91601 (North Hollywood), and 91607 (Valley Village), areas determined using the Claritas data to include negligible concentrations of the aforementioned groups (Upper Crusts, Blue Bloods, and Movers & Shakers). Residents in these zip codes were diverse and ranged from Money & Brains (educated, well-to-do, and sophisticated) to Bohemian Mix (upper middle-income, ethnically diverse, early adopters) to Big City Blues (lower-Mid income, modest educations, ethnically very diverse). Relying on respondents who reside in these zip codes provided us a sample of consumers who would stand very little chance of qualifying as patricians but enough affluent consumers to qualify as parvenus.

Researchers who were blind to our theorizing were contracted to survey residents from each selected area. This included, for example, visiting the upscale shopping district known as the Promenade on the Peninsula, which services four cities on the Palos Verdes Peninsula: Rolling Hills Estates, Palos Verdes Estates, Rancho Palos Verdes, and Rolling Hills. Shoppers were prescreened to ensure they were residents of zip code 90274. Of those surveyed, 60 met the thresholds for age, education, and household income regarding these segments that Claritas

provided and were thus included in the analysis as “patricians.” The researchers also went to a variety of shopping malls in the San Fernando Valley area of Los Angeles (e.g., Westfield Promenade in Woodland Hills) and collected similar data from residents of zip codes 91371, 91601, and 91607.

Stimuli and design. Respondents were shown nine designer handbags, six of which were the focal bags of interest. These six included three pairs of bags from individual luxury brands Chanel (most expensive), Louis Vuitton, and Coach (least expensive). For each brand, we selected a bag pre-tested to rate at the high end on the prominence scale and one rated at the low end. The remaining three bags were inexpensive fillers (one Ralph Lauren, one Kipling, and one Longchamp). For both LV and Coach, the quiet handbag was more expensive than the loud handbag. For Chanel, the loud bag was more expensive and the most expensive one in the set. While Coach’s position as a luxury brand is hotly debated, we included this brand because at the time of the study it was by far the market leader in handbags and leather accessories in the U.S (Hass 2008) and ranked number one in the Luxury Institute’s “Handbag Brands 2008” report that analyzed which of 26 brands luxury consumers are most familiar with (Hall 2008).

In one condition, pictures of these nine handbags were shown with the respective brand names printed below each image. In the second condition, the brand names were removed and the bags were shown without any additional information. As mentioned above, we ran this study on two distinct populations described as patricians and non-patricians. As such, the design was a 2 (class: patricians vs. non-patricians) x 2 (brand prominence: loud vs. quiet) x 2 (identification: brand names provided, brand names not provided). Class and identification varied between subjects while brand prominence varied within subjects. Respondents were asked to rank the nine handbags from most to least expensive.

We predicted a three-way interaction such that brand prominence would elevate price perceptions (i.e., rankings) but only when the brand name was absent and respondents were not patricians. Patricians should recognize the quieter prestige bags (the quiet Chanel, Louis Vuitton, and Coach purses in the set) for what they are even without the brand name present. However, the brand serves as a cue regarding price to the non-patricians. Only when the brands were present were they expected to recognize the quiet luxury bags for what they are and rank them appropriately. Therefore, we expected the presence or absence of brand names to affect price rankings but only for non-patricians who rely on overt branding as a signal.

Recall patricians are characterized by our typology according to their financial means (high) and need for status (low). In terms of a manipulation check, we expected the patricians to have a lower consumption-related need for status than the non-patricians, because patricians are not as concerned with differentiating themselves vertically from lower groups. Respondents completed Eastman, Goldsmith, and Flynn's (1999) need for status scale, which is comprised of statements such as "The status of a product is irrelevant to me" and "I would pay more for a product if it had status" to which respondents indicated their level of agreement on a 7-point Likert scale. With respect to financial means, we relied on income as a proxy, asking respondents to report their annual household income on a 6-item scale (i.e., under \$59,999, 60,000- 99,999, 100,000-139,999, 140,000-179,999, 180,000- 209,999, 210,000+). We also collected other demographic variables such as age, race and gender.

Results

To test whether the screening of our sample of Palos Verdes Peninsula residents was effective, we first compared their need for status to the San Fernando Valley population. As

expected, we find that those surveyed from zip code 90274 (i.e., patricians) have a lower need for status on the Eastman, Goldsmith, and Flynn (1999) scale ($M_{\text{Patricians}} = 3.59$ vs. $M_{\text{Non-patricians}} = 4.51$, $F = 63.27$, $p < .01$). For income, we compared the average rank on our 6-tiered scale across the two groups, such that a higher number corresponded to a higher income bracket (e.g., 6 = 210,000+). Patricians reported higher annual household incomes than non-patricians ($M_{\text{Patricians}} = 4.12$ vs. $M_{\text{Non-patricians}} = 2.15$, $F = 45.91$, $p < .01$). Taken together, differences in need for status and income allow us to contrast distinct groups of consumers classified according to our typology as patricians and non-patricians.

We analyzed the data using three separate ANOVAs (one for each brand) with main effects for the type of purse (quiet vs. loud), the condition (brands vs. no brands), and the respondent type (patrician vs. non-patricians) with all three two-way interactions and the three three-way interactions. The three-way interactions for Louis Vuitton and Chanel were significant ($p_{\text{LV}} < .01$, $p_{\text{Chanel}} < .01$); for Coach it was not significant ($p_{\text{Coach}} = .44$). Most two-way interactions (six out of nine) were significant at $p < .01$; two others were marginally significant ($p = .07$ and $p = .09$). The mean scores by population are displayed in Figure 4. In this graph, the loud bags are depicted with bold lines and the quiet bags with thin lines.

The pattern of results reveals clearly that patricians are more apt to recognize the true value of the bags we tested. They correctly rank-ordered the bags from most expensive to least expensive and did so with or without explicit brand names (none of the rankings differed significantly when brand names were present or absent, $p > .3$ for all bags). They even recognized correctly that the loud Chanel bag we chose for this survey was more expensive than the quiet one, and for the LV and Coach handbags, it was the opposite. Hence, they were not misled by the prominence of the brand names.

In contrast, non-patricians ranked all three loud bags higher than the quiet bags when no brand names were present. When brand names were present, the quiet LV and Chanel bags received a boost in rating, and the loud LV and Coach bags fell in the ranking (all changes are significant at $p < .01$) such that the quiet bags rated higher than their loud counterpart (differences are significant at $p < .01$ for LV and Chanel and $p = .06$ for Coach). These results are substantively identical if we separate the wealthy respondents (income > \$99K) of our non-patrician sample (21 respondents) from the other non-patricians. With a significantly higher need for status than the patricians ($M_{\text{Patricians}} = 3.59$ vs. $M_{\text{High Income-Non Patricians}} = 4.46$, $F = 26.9$, $p < .01$), this group qualifies as parvenus. Their rank ordering of the handbags is the same as the other non-patricians ($p > .05$ for all six brands) while they are different from the rankings of the patricians. Interestingly, we see that non-patricians erroneously rated the quiet Chanel bag as being more expensive than the loud one while the patricians correctly rated the loud bag in this instance as more expensive.

Given our dependent variable was ordinal (rank) rather than interval, and that the rank given to a bag by one individual is not independent from the ranks given to the other bags (no two bags can be ranked number one by the same individual), we checked the robustness of our results using a series of Kolmogorov-Smirnov tests. We use the Kolmogorov-Smirnov tests to compare the distribution of rankings for a single bag for a single group (i.e., within patricians or within non-patricians) in the no-brand versus brand-provided conditions. The p -value for each pairing is shown in Figure 4. As expected, we find no change among patricians (their rankings did not change whether the brand was present or not), while four out of six change significantly when the brands were present for our non-patricians. This confirms patricians do not need to be

told the brand names of the bags to know their relative prices, while the non-patricians significantly change their ordering when the brand names are revealed.

Discussion

Study 3 demonstrates that patricians do not require prominent brand markings to judge the value of a bag. They are able to recognize bags from the subtle design features of each of the manufacturers and accurately judge their relative price. In debrief interviews, patricians told us about these subtle cues, including the shape of LV's handle base, leather reinforced corners and removable key bell as well as Chanel's Mademoiselle turn lock, interlaced chains and quilted stitching. These details are often lost on non-patricians who need to see the brand prominently displayed to recognize a bag as an expensive luxury brand. Recall our earlier discussion of the brand Bottega Veneta, which turned its back on being easily recognizable to the masses by putting its logo discreetly inside its creations. It would appear that this brand caters to patricians.

This differential ability to recognize signals is essential for explaining the difference in behavior between patricians and other classes of consumers. Patricians can read the subtle signals and thus can use quiet products to signal horizontally. In contrast, parvenus, poseurs, and proletarians require coarser signals. Thus, parvenus use loud products to signal to the groups below that they are distinct. They believe they are indicating to the have-nots that they are elite and to the haves that they are part of their group. The irony is, of course, that while many parvenus believe they are saying to the world that they are not have-nots, in reality, they may also be signaling to patricians, a group of haves they want to associate with, that they are not one of them.

STUDY 4: ASSOCIATIVE/DISSOCIATIVE MOTIVES AND BRAND PROMINENCE

In this study, we set out to test several predictions that emerge from our model. First and foremost, our theorizing predicts patricians will prefer relatively quiet bags while parvenus and poseurs will prefer relatively loud bags. Second, we propose that this preference is due, in part, to whom they intend to signal, which would be reflected by different associative/dissociative motives. We expect patricians to report that they want to associate with other patricians but not have specific desire to dissociate from the other three groups. In contrast, we expect parvenus will display a desire to dissociate from poseurs and proletarians (the have-nots) while associating with parvenus and patricians (the haves). Poseurs, like the parvenus, will seek the company of the haves but are not expected to display the same desire to dissociate from the have-nots as the parvenus. Finally, the proletarians are not expected to display any strong associative/dissociative tendencies.

Method

Participants in Study 4 were 120 survey respondents initially screened in a manner identical to that in Study 3. In this study, however, our researchers collected a proportionally larger sample of non-patricians with the hope of insuring we had significant representation from each of the three other classes of consumers. The zip codes, along with these measures of income and need for status allowed us to classify respondents as patricians, parvenus, poseurs, or proletarians. In addition, we pre-tested four separate descriptions of individuals such that each one was seen as distinctly representing someone from one of the four classes of consumers defined by our taxonomy (see Appendix 2). As a further check, respondents were asked to read

each portrayal and to rank them in terms of how similar they were to the person being described. We expected their self-categorization to be consistent with the classification made based on wealth and need for status.

Next, respondents were asked to indicate their desire to associate/dissociate from each of the four classes of consumers in our taxonomy using graphical images to measure the relation between the self and groups developed by Schubert and Otten (2002). The Overlap of Self, Ingroup, and Outgroup (OSIO) self-categorization scale includes seven pictures each displaying a small circle (labeled “self”) in various stages of overlap with a larger circle (labeled “they”) such that a 7-point scale is created based on the distance between the midpoints of the two circles ranging from a long distance (coded as 1), to a medium distance (4) to zero distance (7). The scale draws on a technique for measuring interpersonal closeness developed by Aron, Aron, and Smollan (1992) and research demonstrating that group identification can be measured by the degree to which a group is included in the self (Tropp and Wright 2001; Coats et al. 2000).

Finally, each respondent chose their preferred handbag among three pairs of purses, such that a picture of a loud luxury bag was coupled with a quiet handbag that was virtually identical except for the degree of brand prominence. The use of “twin” bags was intended to control for influence of factors other than how loudly or quietly the brand was displayed such as idiosyncratic preferences based on a specific bag’s aesthetics. While the bags were chosen to minimize any difference in price, respondents were instructed to make their choice assuming either bag could be acquired for the same price. Survey participants then completed measures similar to those collected in Study 3, including Eastman, Goldsmith, and Flynn’s (1999) need for status scale, as well as a series of demographic questions including income, race, and gender, before being debriefed regarding the true intent of the study.

A sub-sample of 65 respondents in the San Fernando Valley were surveyed separately in much the same fashion, except they indicated their preference between a loud and quiet handbag for only a single pair before being asked the following:

“Assume your friend is traveling abroad and can purchase a counterfeit of your preferred handbag. It would be indistinguishable from the authentic handbag to observers on the street. How likely would you be to ask your friend to secure you a knockoff?”

Respondents indicated the likelihood on a 7-point scale ranging from 1 = not at all to 7 = extremely. They were also asked if they owned any fake handbags and if so to indicate how many they owned. They too completed Eastman, Goldsmith, and Flynn’s (1999) need for status scale and also indicated their income, age, and gender.

Results

Table 6 presents basic statistics about the 120 respondents. The statistics are broken down based on a classification of respondents into the four classes given a median split on income ($\leq \$99K$ a year vs. $> \$99K$) and need for status (≤ 4.2 on 7 point scale vs. > 4.2). The results are substantively identical when we use the self-classification into the four groups rather than the classification based on the median split. In fact, 72% of subjects self-classify themselves in line with the median split.

Self-report measures of income indicate that those who would be classified as patricians have the highest income, followed by parvenus, poseurs, and proletarians. The differences in income between poseurs and proletarians is not significant ($p = .18$) while the difference between patricians and parvenus is ($p < .05$) as is the difference between parvenus and poseurs or proletarians ($p < .05$ for both). While our taxonomy does not specify an income difference between patricians and parvenus, we suspect this difference occurred due to our collection

methodology that sought out patricians from a zip code where incomes are some of the highest in the nation. In terms of need for status, consistent with our theorizing, we observe two groups: patricians and proletarians possess a lower need for status while parvenus and poseurs possess a higher need for status. Individual contrasts between high and low need for status groups are significant at $p < .01$ while contrasts within high or low need for status groups are not significant at $p = .05$.

In terms of each group's desire to associate/dissociate with their own and the other three groups (see Table 7 and Figure 4), as expected, we find patricians seek to associate with other patricians but do not seek to dissociate from the other groups. Parvenus seek to associate with both patricians and parvenus (the haves) while they exhibit a strong desire to dissociate from poseurs and proletarians (the have-nots). Akin to the parvenus, the poseurs seek the company of the haves, but they do not show a meaningful desire to dissociate from the have-nots. Finally, the proletarians seem happy to associate with all four groups without any significant differences.

Preference Between Loud and Quiet Luxury

The purpose of the study was to determine if the likelihood of purchasing a loud rather than quiet bag varied by group. Our theorizing predicts patricians would prefer quieter bags while the parvenus and the poseurs would prefer louder bags. We do not make a prediction about proletarians. To test our predictions, we ran a logit regression using the choices made by each respondent when offered the choice between loud and quiet twin bags (three choices per respondent) as our dependent variable and the respondents' self classification into one of our four groups as the independent variable. We found no difference based on order (the handbags appeared in the same order, so we originally included dummies to account for order), so we

collapsed the data. Again, the results are substantively identical if we used self-categorizations instead of median splits to classify our respondents into the four groups.

We find that the least likely group to buy a loud bag is the patricians ($\beta = -1.82, p < .01$, $P(\text{Buy Loud}) = .14$). Proletarians are indifferent between loud and quiet bags ($\beta = .01, p = .93$, $P(\text{Buy Loud}) = .50$). The other two groups show a likelihood significantly larger than 50% of purchasing a loud bag, with the parvenus exhibiting a likelihood of a loud purchase at 71.60% ($\beta = .93, p < .01$) and 74.71% for the poseurs ($\beta = 1.08, p < .01$). The difference between the parvenus and the poseurs is not significant ($p = .65$). These results provide support for our model, demonstrating the usefulness of using our taxonomy to classify consumers and how this classification is indicative of social motives and thus preferences between quiet and loud luxury goods.

Finally, the subsample we asked about their likelihood of purchasing a counterfeit bag was categorized in the same methodology described above. This revealed a relatively small sample of patricians and proletarians (five of each group) that we excluded from the analysis, given our focus is on the difference between poseurs (33) and parvenus (22). First, as expected, these parvenus and poseurs exhibited a distinct preference for loud handbags (84%), which makes them the prime market for counterfeit bags. Second, poseurs expressed a significantly greater intent to purchase a counterfeit bag than parvenus (88% vs. 18%, respectively; Wald $\chi^2 = 18.90, p < .01$). In addition, they were more likely to own a counterfeit bag (88% vs. 23%, respectively; Wald $\chi^2 = 20.58, p < .01$) and reported owning more counterfeit bags on average ($\mu_{\text{poseurs}} = 1.72$ vs. $\mu_{\text{parvenus}} = .23, t_{21} = 4.53, p < .01$).

Discussion

In Study 4, we demonstrate the usefulness of our taxonomy for classifying consumers both in predicting their social motives (associative and dissociative) and, more importantly for marketers, predicting their preferences between loud and quiet products. Further, we show how poseurs are significantly more likely to buy counterfeits than parvenus. Intuitively, this follows from their high need for status and their low financial means. We should note that, while the sample was small, not one of the five patricians surveyed was inclined to buy a counterfeit. Recent work by Commuri (2009) has documented how, due to a proliferation of counterfeiting, the social elite in India and Thailand gravitate preemptively toward brands that lower-income consumers find difficult to detect. While this is not the primary motive here, our work suggests patricians may stick with the brand but favor those items that are least likely to be copied—the quiet ones.

GENERAL DISCUSSION

Veblen's view of conspicuous consumption assumes the prevalence of a need for status. Savvy luxury goods manufacturers apparently find enormous support for this idea as a more than \$200 billion global luxury industry has developed in part due to traditional luxury houses including Dior, Cartier, and Chanel moving down-market (Gumbel 2007). This recent large-scale foray of luxury brands into mass marketing has transformed Veblen's two-tier society (haves/have-nots) into a more complex array of consumers who use luxury to signal in many different ways and for many different reasons. A better understanding of the luxury goods market requires a variety of discriminate methods designed to capture the many motivations for conspicuous consumption. We propose a classification of consumers into four groups based on their wealth and need for status.

It is important to note that while we speak of four classes as if consumers behaved strictly according to our rules, in actuality, behavior may vary depending on the product category and the usage occasion. A patrician might wear a Rolex (a classic parvenu brand) while sailing because the Yacht-Master II is a dependable, indestructible watch. Functionality prevails, although one might mistakenly infer a signaling motivation. A proletarian might splurge once on a Louis Vuitton bag she's seen sported by a celebrity as a lifelong dream, indulging in what Dubois and Laurent (1995) called an excursion into luxury. Certainly, there are finer gradations of consumers that could be explored. Our model does, however, speak to the empirical generalities observed in our real-world data and the distinct affiliation desires as well as varied product and price knowledge revealed by our field studies.

While branding experts typically advise marketers to insure their brand is clearly and prominently displayed on products, this prescription may not hold for some luxury goods, particularly those at the high end of the product line. With our handbag as well as shoe data, it was often possible to buy a functionally equivalent good in either a loud or quiet version. In fact, many of the purses and shoes in Study 1 included twins or triplets—bags or shoes that were otherwise identical but differed in their exterior design and hence brand prominence. One of the strengths of this research is that we demonstrate how less expensive, louder products are geared to a different class of customer than subtler, more expensive goods. We show how a luxury goods manufacturer can target two types of customers simultaneously by making their brand more or less prominent and vary price accordingly across products within a single line.

Managerial Implications

Our findings have numerous implications for managers in the luxury space. First and foremost, our findings suggest managers need to develop a *griffe* (from the French for scratch), or a set of special signatures, for their brand. They must develop the subtle cues that identify their products as their own even in the absence of an explicit logo or brand name. Remove the emblem and a Porsche is still recognizable as a Porsche; it will not be confused for a Maserati or Lexus. Even the Cayenne SUV looks like a Porsche. In contrast, remove the star from its hood and a Mercedes might be mistaken in passing for a Lexus. Consider how Gucci utilizes its distinctive bamboo as hinges on sunglasses, handles on purses, and bands on watches. The *griffe* allows patricians to signal associative desires to each other without sending the dissociative message parvenus do when they signal using loud products. Along with developing a *griffe*, firms must educate certain target customers about these subtle yet recognizable details. For example, watchmaker Breguet informs its clientele about “the discreet decorative details that constitute the Breguet style,” including the Breguet cursive numerals, and engine-turned silver dials.

Second, a luxury goods manufacturer may want to resist the urge to leverage their brand by popularizing its trademark. Short term sales can be increased by coming up with a lower-priced line or extending the brand to multiple categories, products likely to sell well if they advertise the prestigious labels of their high-priced forebears. But if too many people sport the brand’s logo, then the mark loses its value as a dissociative status signal. This was a problem Burberry faced in the 1990s when its trademark checked plaid became ubiquitous, fashioned into everything from bikinis to umbrellas. Conversely, reining the brand in too tightly may make it irrelevant and limit its value as a signal to the lower classes, required for the parvenus. A delicate

balance must be struck, which is what Burberry attempted when the company vastly reduced its number of loud products and began taking its signature check “undercover” (e.g., putting it subtly under a shirt collar and inside pockets). Our work suggests a mixture of quiet items known for their quality, aesthetic, and other attributes along with loud items that allow parvenus to satisfy their consumption related need for status has helped Louis Vuitton and Gucci become the world’s first and third “most powerful” luxury brands, respectively (Sherman 2008).

Third, while marketers traditionally recommend firms focus their advertising on their target market, luxury goods manufacturers must consider advertising to everybody. Parvenus should believe proletarians and poseurs know the brand and will recognize them as wealthy when they display it on their possessions. If the brand were unknown to the general public, it would not serve as a dissociative signal. Also, when advertising to the masses, the message must be aspirational rather than functional. Consider Louis Vuitton’s 2008 foray into television advertising. The campaign promoted the brand, not any specific product and a handbag only made one fleeting appearance. Focusing on its travel heritage with a collage of moody images from France, Spain, India, and Japan, the ad was intended to tell consumers that Louis Vuitton is something “éphémère, but also something that stays” (Pfanner 2008).

Finally, we believe it may prove useful for luxury goods manufacturer to reassess the traditional pyramid approach to luxury. Conventional wisdom depicts a “trickle down” theory of status. For example, haute couture is notoriously unprofitable for design houses but a necessity in appealing to those who aspire to have \$100,000 custom-made dresses with more moderately priced designs. The notion is that a luxury brand must appeal to the *crème de la crème* of clientele in order for less sophisticated consumers to find their wares attractive. This may not always be the case. In fact, it seems label-conscious parvenus cannot recognize and hence may

not really be aware of much of what the patricians are buying, whether it is their \$3,500 bottles of Krug Clos d'Ambonnay champagne (not \$125 Dom Perignon) or \$1,350 Bottega Veneta wedge-heel shoes (not \$200 Betsey Johnson wedges).

Limitations and Future Research

This work is not without its limitations. For one, our counterfeit data is based on what is offered by Asian producers and resellers. Much of what is known about consumer attitudes towards counterfeits and why they buy is presumed to generalize across borders (see Commuri 2009). However, it would be useful if, in the future, researchers could document either what is bought into or sold more directly in the U.S. to better understand the trends among local consumers. Yet future work could explore cultural differences involving false signaling using counterfeit luxury goods.

In addition, we based our investigation of brand prominence on what firms such as Louis Vuitton, Gucci, and Mercedes offer in their product line and not what sells. Future research may track sales, perhaps identifying undocumented reasons why consumers buy particular styles or designs. To this end, our work explores what signals are recognizable and what types of designs are favored but does not delve deeper into the aesthetic and emotional components of the decision. This is a topic we plan to explore in the future as we delve into the emotional responses involved in signaling and counter-signaling using luxury goods. This promises to be a fruitful avenue for future work.

One of the strengths of this research is having documented how price and brand prominence vary within a single brand's product line. Yet we fully understand it to be the case that Hermès handbags cost more and are more subdued than Chanel, which cost more and are

quieter than Gucci, which we've shown cost more and are quieter on average than Louis Vuitton. An interesting question for future research is how firms that market more conspicuously branded goods might impact their status by introducing quieter goods. For example, we would predict that Coach, renowned as "affordable luxury," would cost less and offer a louder line of handbags on average than Louis Vuitton. In fact, the average bag at their Allentown, PA store costs \$300 and they produce only a tiny number of expensive items (Hass 2008). Would introducing a line of quieter products help elevate Coach's status? Perhaps. Coach is planning to offer higher-priced, toned-down products including a \$2,100 ostrich version of its Hamptons bag at its boutique store on Bleecker Street in Manhattan as an experiment in appealing to more up-market consumers (Hass 2008). It is yet to be seen whether the products offered at their new boutiques will elevate the store's status among New Yorkers to the levels of Gucci or Louis Vuitton.

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TABLE 1

STUDY 1: STATISTICS FOR RELATIONSHIP BETWEEN BRAND PROMINENCE AND PRICE

Variable	Parameter	t-stat	p-value
Intercept	4401.83	15.34	<.01
Surface	-.24	-.50	.61
Canvas	-3039.76	-9.83	<.01
Leather	-2534.13	-8.38	<.01
Surface*Canvas	1.10	2.15	.03
Surface*Leather	.90	1.74	.08
Louis Vuitton	-481.60	-3.20	<.01
Prominence	-122.26	-4.95	<.01
prominence*LV	95.89	3.44	<.01

N = 417 $R^2 = .54$ $F = 60.05$

TABLE 2

STUDY 2: DATA COUNTS FOR REAL AND COUNTERFEIT GUCCI AND LOUIS VUITTON HANDBAGS

Brand	Originals		Counterfeits	
	Not copied by counterfeiters	Copied by counterfeiters	Copies of current original handbags	Fake-Fakes
LV	97	139	175	112
Gucci	157	72	121	274
Total	254	211	296	386

TABLE 3

STUDY 2: BRAND PROMINENCE FOR REAL AND COUNTERFEIT BAGS

	Originals			Counterfeits		
	Not Copied	Copied	Overall	Copies ^a	Fake-Fakes	Overall
LV	3.79	5.41	4.75	5.48	5.31	5.42
Gucci	4.08	5.50	4.53	5.71	5.79	5.76

Note: ^a The average rating of “Copies” does not equal the average rating of the copied bags because some bags were copied multiple times.

TABLE 4

STUDY 2: BRAND PROMINENCE VS. PRICE FOR COUNTERFEIT GOODS

Parameter	Price Only		Price and Prominence	
	Estimate	<i>p</i> -value	Estimate	<i>p</i> -value
Intercept	.10	.63	-1.52	<.01
Price	-.0002	.09	-.0002	.56
Louis Vuitton	.50	.01	.62	.20
LV x Price	.00004	.75	-.00002	.94
Prominence			.20	.03
Prominence x Price			.0001	.13
Prominence x LV			-.004	.96
Prominence x LV x Price			1.2E-6	.99
N = 465	LR $\chi^2 = 39.86, p < .01$		LR $\chi^2 = 87.03, p < .01$	

TABLE 5

STUDY 2: ORIGINAL MANUFACTURER'S PRICE AND THE PRICE OF COUNTERFEIT BAGS

Parameter	Estimate	F	<i>p</i> -value
Intercept	193.35		
LV	-1.58	.16	.69
Brand volume	-.83	1.12	.29
Price of the original product	.03	130.30	< .01
N = 228	R ² = .48	F = 54.38	

TABLE 6

STUDY 3: SUMMARY STATISTICS FOR INCOME AND NEED FOR STATUS BASED ON
MEDIAN SPLIT

Class	N	Income	NFS
Patrician	25	4.48 ^a	3.25 ^a
Parvenu	31	4.11 ^a	5.08 ^b
Poseur	32	1.41 ^b	4.99 ^b
Proletarian	32	1.36 ^b	3.65 ^c

Note: Numbers with the same superscript column-wise are not statistically different from each other.

TABLE 7

STUDY 3: CLASS AND ASSOCIATIVE/DISSOCIATIVE PREFERENCES BASED ON
MEDIAN SPLIT

Class	Mr. M Patrician	Ms. A Parvenu	MR. L Poseur	MR. T Proletarian
Patrician	5.69 ^a	3.76 ^b	3.83 ^b	3.72 ^b
Parvenu	5.19 ^a	4.78 ^a	3.22 ^b	3.00 ^b
Poseur	5.20 ^a	4.90 ^a	3.77 ^b	3.52 ^b
Proletarian	4.13 ^a	4.00 ^a	4.17 ^a	3.90 ^a

Note: Numbers with the same superscript row-wise are not statistically different from each other.

FIGURE 1

Volvo XC60



Volvo XC90



FIGURE 2

Gucci Loud Sunglasses

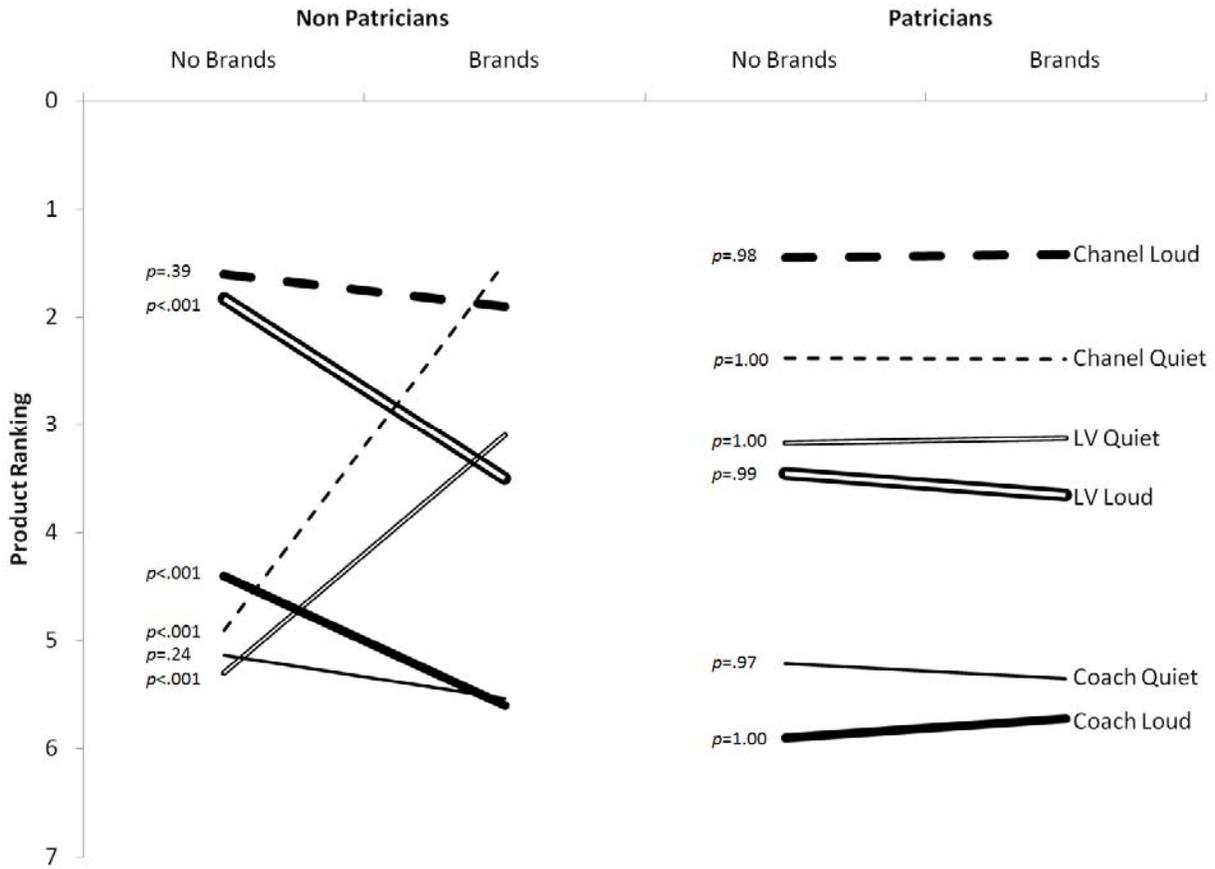


Gucci Quiet Sunglasses



FIGURE 3

FIGURE 4



Note: P-values derived from Kolmogorov-Smirnov tests between No Brands and Brands cell for each product

APPENDIX A

Selected Claritas Segments

Segment Description	2007 Statistics
<p><u>Code 01: Upper Crust</u> <i>Wealthy, Older w/o Kids</i></p> <p>The nation's most exclusive address, Upper Crust is the wealthiest lifestyle in America--a haven for empty-nesting couples between the ages of 45 and 64. No segment has a higher concentration of residents earning over \$100,000 a year or possessing a postgraduate degree. And none has a more opulent standard of living.</p>	<p>Households: 1,733,015 Proportion of Pop.: 1.52% Median Income: \$111,546 Age ranges: 45-64</p>
<p><u>Code 02: Blue Blood Estates</u> <i>Wealthy, Older w/ Kids</i></p> <p>Blue Blood Estates is a family portrait of suburban wealth, a place of million-dollar homes and manicured lawns, high-end cars, and exclusive private clubs. The nation's second-wealthiest lifestyle is characterized by married couples with children, graduate degrees, a significant percentage of Asian Americans, and six-figure incomes earned by business executives, managers, and professionals.</p>	<p>Households: 1,113,569 Proportion of Pop.: .98% Median Income: \$116,546 Age ranges: 45-64</p>
<p><u>Code 03: Movers & Shakers</u> <i>Wealthy, Middle Age w/o Kids</i></p> <p>Movers & Shakers is home to America's up-and-coming business class: a wealthy suburban world of dual-income couples who are highly educated, typically between the ages of 35 and 54. Given its high percentage of executives and white-collar professionals, there's a decided business bent to this segment: members of Movers & Shakers rank number one for owning a small business and having a home office.</p>	<p>Households: 1,836,308 Proportion of Pop.: 1.62% Median Income: \$100,275 Age ranges: 35-54</p>

APPENDIX B

Descriptions of Prototypes of the Four Classes of Consumers

Ms. K (Patrician)

Ms. K lives in Boston. She is a lawyer and partner at a firm begun by her great grandfather. She cut her hair short after she became tired of the knots and tangles caused by driving with the top down in her convertible. She likes to take ski vacations whenever she gets a chance and owns a chalet in Aspen. Her favorite brand is Chanel and her favorite purse is the iconic Chanel 2.55 bag, which was introduced in 1955. She collects modern art and sits on the board of directors for several museums and galleries. She finds ostentatious products that have the brand plastered on them offensive and the nouveaux riches completely gauche.

Ms. A (Parvenu)

Ms. A owns a family-run restaurant in Chicago. She started as a prep cook at a small local restaurant and worked as a waitress, bartender, and manager. With her experience in local restaurants, she started up her own contract catering business, which was a big success and led to opening her own restaurant. She now lives in Oak Park, Chicago, where she remodeled her house to look as if it were designed by Frank Lloyd Wright. She often shops at Bloomingdale's and drives a Lexus ES. She loves Prada but only wishes the emblems on the products were bigger so everyone could see she wears Prada.

Mr. L (Poseur)

Mr. L works as an accountant for an independent CPA office in Indianapolis, Indiana. He likes to work on cars and has customized his 2004 Lancer. He is now considering buying a convertible and restoring it. He loves barbecue and has several different kinds of grills and smokers. He likes Ed Hardy and Affliction and has become a big fan of mixed martial arts. He resents paying more than \$50 for a t-shirt so he buys knock-offs in downtown LA. He has a sneaker collection, with more than 70 pairs of shoes including classic Nike and Adidas designs from the 1980s. He loves premium brands but thinks the companies make too much money on them and thus has no problem with counterfeits – including a fake gold Rolex his friends admire.

Mr. T (Proletarian)

Mr. T is a cashier at a supermarket in Los Angeles. He works a minimum of 30 hours a week and he spends the rest of his week auditioning for roles. He drives a used Hyundai because it's cheap and reliable, and he doesn't pay much attention to all the hype about fancy cars. He eats a lot of Baja Fresh and has driven into Tijuana and down to Rosarita Beach, where his favorite Mexican restaurant is located. He is a big fan of Patron tequila. He likes Sketchers shoes and has several pairs, although he does not pay much attention to brands.